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TO RUEHC/SECSTATE WASHDC IMMEDIATE 8418
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 1645
RUEHBJ/AMEMBASSY BEIJING 2117
RUEHKA/AMEMBASSY DHAKA 5052
RUEHNE/AMEMBASSY NEW DELHI 5135
RUEHUL/AMEMBASSY SEOUL 8723
RUEHKO/AMEMBASSY TOKYO 6297
RUEHCN/AMCONSUL CHENGDU 1645
RUEHCHI/AMCONSUL CHIANG MAI 1939
RUEHCI/AMCONSUL KOLKATA 0493
RUEAAIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEHGV/USMISSION GENEVA 4143
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/Joint STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 2121
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 04 RANGOON 000896

SIPDIS

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PACOM FOR FPA
TREASURY FOR OASIA, OFAC

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TAGS: ECON EFIN PREL PGOV BM

SUBJECT: SANCTIONING PRIVATE BURMESE COMPANIES UNDER THE JADE ACT

REF: A. RANGOON 765
IB. 07 RANGOON 1113
IC. RANGOON 818
ID. 07 RANGOON 1107
IE. 07 RANGOON 1203
IF. RANGOON 741
IG. RANGOON 400
IH. 07 SINGAPORE 5661
II. RANGOON 699
IJ. RANGOON 059
IK. RANGOON 706

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4 (b and d).

Summary

I1. (C) The Burmese Government, in addition to relying on its state-owned enterprises, employs a system of economic patronage to ensure control over the country's economy. The GOB fosters a symbiotic relationship with select private Burmese companies, granting them joint ventures and lucrative contracts that guarantee profits in exchange for significant economic and political support. Embassy Rangoon recommends that the Department of the Treasury's Office of Foreign Assets Control (OFAC) sanction under the JADE Act those companies that fall in this category -- specifically those that enter into joint ventures or production sharing contracts with the GOB. Post has thus far identified 31 such Burmese firms. Additionally, because the Managing Directors and General Managers of these companies provide substantial economic and political support for the regime, Embassy Rangoon also recommends that individuals in these categories be included on the targeted financial sanctions list. This

follows a previous Embassy recommendation that OFAC sanction state-owned enterprises and their senior officers (Ref A).
End Summary.

Targeting Connected Burmese Companies and their Owners

¶2. (C) The Burmese regime controls almost all sectors of the economy. While there are more than 30,000 registered private businesses in Burma, the most profitable and influential companies are those with strong ties to the regime. The Burmese Government uses a system of economic patronage to ensure that certain companies, often owned by regime cronies, receive key contracts and profitable business opportunities in exchange for their support for the regime. Joint ventures or production sharing contracts (PSCs) between private firms and the GOB -- often to work in specific sectors, primarily mining, oil and gas, and infrastructure -- provides the clearest evidence of this symbiotic relationship.

¶3. (C) The GOB requires that foreign or Burmese companies seeking to operate in certain key sectors must work with a state-owned enterprise, either informally or via a joint venture. By requiring cooperation with SOEs, the regime is able to monitor the activities of the private companies, while also benefiting from their operations. Additionally, many of these companies complete infrastructure projects at the GOB's behest; instead of paying these companies in cash, the GOB grants these companies either high-value import licenses (e.g., for automobiles, motorcycles, or heavy machinery) or special concessions in other sectors, such as mining and timber.

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¶4. (C) Burmese companies that enter into joint ventures or PSCs provide substantial political and economic support to the regime, developing key sectors of the economy and earning billions of U.S. dollars annually from their special relationship with the government. The same is true of the owners and top management of these firms -- managing directors and general managers -- who exploit their contacts with the regime to profit personally. They are among the wealthiest people in Burma. Additionally, the regime often relies on these companies to provide it with capital through under-the-table cash deals in return for special concessions, often related to natural resource extraction. (Ref B).

¶5. (C) Embassy Rangoon has identified 31 companies below that have entered into joint ventures or PSCs with the GOB in a variety of sectors. Some of these companies are already on OFAC's financial sanctions list. Embassy Rangoon recommends adding the others to the financial sanctions list as well. We further recommend that the owners, managing directors, and general managers of these firms be added to the financial sanctions list automatically -- even in the absence of specific information concerning their personal activities and regime connections -- since in our view it is clear they provide substantial economic and political support for the regime by virtue of their positions. Post has listed the owners of these companies below and should be able to identify other top company officials by name -- though it will be a much greater challenge, and likely impossible in some cases, to secure biographic data such as date of birth.

Infrastructure/Construction Sector:

--Htoo Trading, owned by Tay Za. (already on targeted sanctions list)

--Asia World, owned by Steven Law. (already on targeted sanctions list)

--Eden Construction, owned by Chit Khaing. (see Ref B)

--Olympic Construction, owned by Aike Htun. (see Ref C and below). Aike Htun's Olympic Construction company has a joint venture with the GOB for the construction of several hydro power dams, including Yei Ywa Dam in Mandalay.

--Shwe Taung, owned by Aike Htun. Shwe Taung Company is assisting the GOB with post-Nargis reconstruction and is responsible for rebuilding the Thanyin and Kyauktan Townships in the Irrawaddy Delta. As noted, in cases such as this the company expects to receive concessions or other benefits from the regime in exchange for its reconstruction activities. Aike Htun, the owner of now-defunct Asia Wealth Bank, has also been blacklisted by the USG and GOB as a money launderer.

--Max Myanmar, owned by Zaw Zaw. (see Ref D)

--A-1 Construction, owned by Yan Win. (see Ref G.) A-1 Construction is also one of several key companies appointed by the Government to rebuild the Irrawaddy Delta after Cyclone Nargis. A-1 Construction is responsible for Mawlamyингeygon Township. According to the British Embassy, Yan Win is reportedly receiving automobile import permits in return.

--Dagon Construction, owned by Win Aung. (see Ref E)

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--Yuzana Construction, owned by Htay Myint. (already on targeted sanctions list)

--IGE Co. Ltd., owned by Nay Aung and Pyi Aung. (see Ref F)

--Mother Trading and Construction, owned by Aung Myat. According to Embassy contacts, Aung Myat has close connections with Minister of Industry-1 Aung Thaung and receives special contracts for construction and trade (details to be reported septel).

--Yetagun Construction Group, owned by Aung Zaw Ye Myint. Son of former BSO-1 Commander General Ye Myint, Aung Zaw Ye Myint's company received preferential treatment until he was arrested for drug possession in May 2008.

--National Development Group of Companies, Chaired by Khin Shwe. Companies working with this group have been involved in substantial infrastructure projects, including roads, bridges, and irrigation. According to open source documents, several were also involved in the construction of Nay Pyi Taw, as well as rebuilding the Delta.

--First Myanmar Investment (F.M.I.) Construction Co., owned by Serge Pun. (see Ref H)

--Yoma Strategic Holdings, owned by Serge Pun. (see Ref H)

--Golden Flower Co., Ltd., owned by Aung Htwe. Embassy contacts report Aung Htwe has a close relationship with the Ministry of Construction and Ministry of Industry-1. His company earned a contract in conjunction with Asia World to build a port in Rangoon. Aung Htwe owns a housing complex in Rangoon, as well as two restaurants. In addition to construction projects, Golden Flower Co., Ltd. is listed as an import/export company, specializing in heavy machinery and agricultural products.

--MMG Construction and Trading Co., Ltd., owned by Maung Maung Gyi. MMG Construction worked to rebuild Dala and Seikgyi Kanaungto Townships after Cyclone Nargis. According to New Light of Myanmar reporting, MMG also built several roads in Northern Burma at the GOB's behest. In return, Maung Maung Gyi received approximately vehicle import permits, according to Embassy contacts.

--Maung Weik and Family Co., Ltd., owned by Maung Weik.
(already on sanctions list)

--Fortune International Co., Ltd., owned by Mya Han. In addition to being the largest importer of elevators and construction materials in Burma, Fortune International Co., Ltd. is one of a few select companies that receives permits to export rice. Mya Han donates heavily to GOB pet projects, according to New Light of Myanmar articles.

--Myanmar Ahla Construction Co., Ltd., owned by Khin San Tin. Showing his allegiance to the regime, Khin San Tin participated in the National Convention in 2007 that drafted the regime's constitution. His company has received contracts from the Ministry of Public Works to build government-controlled apartments in Rangoon. He is a frequent donor to GOB projects, according to local press reports.

--Shine Construction Co., owned by Aung Zaw Win. Another
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crony whose influence is rising, Aung Zaw Win volunteered to participate in Delta reconstruction as a way to curry favor with the regime. Responsible for Dala and Seikgyi Kanaungto Townships in the Irrawaddy Delta, Shine Construction Company built more than 100 homes for cyclone victims. In return, he received several vehicle import permits, according to Embassy contacts. The British Embassy, currently in the process of reconstructing its housing complex, refused to accept a bid from Shine Construction based on Aung Zaw Win's alleged links to the regime.

Mining Industry:

--Ruby Dragon Jade and Gem Co., Ltd., owned by Nay Win Tun (a.k.a. Ne Win Tun). Nay Win Tun allegedly received his mining concessions in Mong Hsu, Phakhant, Mogok, Tawmaw, and Kawlin after helping to broker the cease-fire agreement between the GOB and the Pa-O National Organization (PNO) in the early 1990s. He also owns several hotels and a cement factory (septel).

--Jewels of Myanmar, owned by Win Aung and Daw Wah Wah Lin.
(see Ref E)

--Jadeland Jewelry Co., owned by Yup Zaw Hkang. Yup Zaw Hkang is the owner of several large jade mines in Phakhant, which he received from the GOB after assisted in negotiating a cease-fire agreement with the KIO. (see Ref J).

--Kambawza Bank, owned by Aung Ko Win. Aung Ko Win is the owner of several jade and gem mines in Mong Hsu and Phakhant. During a meeting with Aung Ko Win, he told us he remains close to Vice Senior General Maung Aye (who was previously Regional Commander in Taunggyi, where Aung Ko Win resides) and received the mining concessions from Maung Aye (details to be reported septel).

Oil and Gas Sector:

--MPRL, owned by U Moe Myint, a.k.a. Michael Moe Myint. The GOB requires that all companies working in the oil and gas sector sign PSCs with state-owned Myanmar Oil and Gas Enterprise (MOGE). MPRL is the only Burmese company to have both onshore and offshore oil and natural gas blocks.

Timber Sector:

--Htoo Wood Products, owned by Tay Za. (see Ref I)

--Dagon Timber, owned by Win Aung. (see Refs E and I)

--Tin Wun Tun, owned by Tin Win. (see Ref I)

--IGE Co., Ltd., owned by Nay Aung and Pyi Aung. (see Refs F and I)

VAJDA